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MEMORANDUM FOR THE RECORD

SUBJECT: Meeting with HPSCI and SSCI Staffers on the Status of
CIA Health Insurance Program for FY 1988

25X1 1. Ted Price, [redacted] from the
Office of Personnel, Gary Foster from the Office of Medical
25X1 Services and [redacted] Comptroller staff, met with staff
members from SSCI--Keith Hall and John Nelson--and HPSCI--Tom
Latimer, Steve Nelson, Duane Andrews, Marty Faga and Mike
O'Neil--to address ways to fund a shortfall in the Agency's
health insurance program in FY 1988 and discuss needed future
changes in health insurance.

25X1 2. [redacted] presented the background, the history of
Agency health insurance, the problems we currently face and
some of the options the Agency proposes to get over both the
short term and long term problems. The bottom line issue is
the rapidly escalating costs of the Agency health plan in
comparison to other government sponsored programs. These costs
are driven by high Agency utilization of particular aspects of
the health plan and the relatively low number of young, low-
option subscribers. After discussions with our underwriters
and the Office of Personnel Management, the Agency needs to
move out of the Federal Employees Health Benefit Program (FEHBP)
in order to develop the kind of flexible benefits which will
take care of our unique requirements.

3. The reaction of the staff members was critical.
Andrews took the lead with the argument that the Agency
benefits are equal to the high-option Blue Cross or the Aetna
plan but pay one-third the rate of other government employees.

25X1 [redacted]
25X1 [redacted] Now the problem had gotten worse not better.
There was general agreement among the SSCI and HPSCI staffers
on the thrust of Andrews' argument.

4. After considerable discussion, agreement was reached
that there was both a short-term and long-term problem to be

[redacted]

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resolved. No one from either staff made any promises, but we believe that the short-term solution will provide authority in the 1988 Authorization Conference report to use previous unobligated balances to cover the \$10.8 million needed, as requested. This fix will be considered as a "transition period." For the long term, several suggestions were offered, including the establishment of an insurance package equivalent to the rest of government [redacted]

[redacted] Price and Foster pointed out the pitfalls to this long-term approach but without apparent impact on the staffers' views. [redacted] emphasized several times that such an approach would probably require pulling out of FEHBP. Most staffers, but especially the HPSCI staff, strongly defended their view that withdrawing from FEHBP was not a viable option. Generally, they believe this will not play well politically. The Agency should seek to remain a part of the FEHBP.

5. Finally, discussion was held about the language needed for the Authorization Conference report. Agreement was reached that the Report would specify certain "principles" which must guide the Agency in the development of a health insurance plan for FY 1989. The staff will recommend approval to use unobligated balances funds to cover insurance cost increases for FY 1988. However, if the "principles" are not followed, there will be no like "subsidy" in FY 1989. The staffs have agreed to provide a look at the language before it is finalized.

6. In sum, I think we got what we wanted; the increased costs will be covered in FY 1988, and we bought time to start and develop a health plan to meet the future needs. I also believe that we need to do a much better job educating the staffs about some of our problems. Their solutions were glibly offered, suggesting that they were not knowledgeable of the range of options we have explored already. At this session they were not prepared to listen. But, given the time we now have, I think they can be educated to support a rational solution. But, we will have to talk with them.

[redacted]
Office of Congressional Affairs

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